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SUBJECT: U/S JEFFERY AND SCIO AGREE TO FUTURE
DISCUSSIONS ON INTERNET FREEDOM

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for Internet distribution.

Summary

1. (SBU) Under Secretary of State Reuben Jeffery, III met with State Council Information Office Vice Minister Cai Mingzhao on December 3 to discuss China's Internet administration and information access policies. The two hailed the success of industry cooperation in the U.S.-China Internet Summit, and agreed to explore adding a government-to-government component to the annual meetings to discuss topics of common interest as well as sensitive issues, including online security, copyright protection, and open access to the Internet. While Cai deftly handled questions on China's Internet censorship, he did agree to further discussions on the topic. Cai confirmed that his agency will take over responsibility for regulating foreign financial information providers. End Summary.

Support for Continuation of SED Framework

2. (SBU) State Council Information Office (SCIO) Vice Minister Cai Mingzhao and Under Secretary of State for Economic, Energy, and Agricultural Affairs Reuben Jeffery, III met in Beijing on December 3, the eve of the Fifth U.S.-China Strategic Economic Dialogue (SED). Both acknowledged that the profile and importance of the event were raised against the backdrop of the global financial crisis.

Agreement on Continued Internet Cooperation

3. (SBU) Cai and Jeffery agreed that broad complementarities exist between the Chinese and U.S.

Internet industries that should be further explored and developed in cooperation between governments, between businesses, and in public-private forums. Cai said that Chinese companies have learned a great deal from their U.S. counterparts. Whereas the U.S. Internet industry leads the world in its capacity for research and development, Cai noted, China is the world's largest market for the application of Internet technologies, with nearly 300 million Internet users and growing at approximately 240,000 new users per day. He added that China welcomes foreign enterprises to enter the Chinese market to share this huge opportunity, and said he is pleased that so many U.S. businesses already claim China as their fastest growing market.

¶4. (SBU) Cai thanked Jeffery for his participation as keynote speaker at the first U.S.-China Internet Summit (where Cai and Jeffery first met), hosted by the Internet Society of China and Microsoft in November 2007 in Seattle. He said the summit has resulted in increased engagement between U.S. and Chinese Internet companies over the past year. Cai noted that the second Internet Summit, held in Shanghai on November 7, was also a success. Jeffery emphasized the importance of high-tech and telecom industries in improving lives, linking China and the United States, and generating robust economic growth.

¶5. (SBU) Jeffery proposed and Cai agreed that both sides should identify areas of mutual interest for

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future collaboration. Jeffery suggested that upcoming discussions could include online security and law enforcement, in particular efforts to combat viruses, online fraud, spam email, and also to protect copyrighted material on the Internet.

Expand Industry Forums to Include Government

¶6. (SBU) Cai and Jeffery also agreed that the existing industry-led U.S.-China Internet Summit might be expanded to include a bilateral government component. Cai said that, while Chinese and U.S. Internet enterprises enjoy a mutually beneficial relationship, differences remain - not only in geography and time zones, but also cultural and historical differences. As a result, he said, it is natural for the two countries to have different views on the Internet and its regulation. These differences, Cai continued, can be addressed in a "cool-minded way" by increasing engagement and dialogue. Therefore, he concluded, it is very important to continue to support the Internet Summit on a regular basis, and to leverage the event as a platform for further government-to-government dialogue to increase mutual understanding. As an example, he offered that U.S. Government officials should visit Chinese domestic Internet companies, which he said are "open and transparent, like the Internet itself."

¶7. (SBU) Jeffery agreed, and raised open access to information as another mutually beneficial goal that might be discussed in such future bilateral meetings. He stressed the U.S. Government's interest in better understanding China's Internet access regulations and policies, and how such policies are made. Jeffery said he recognized the two countries' differing views on the issue, but hoped they could work together toward greater mutual understanding and transparency.

¶8. (SBU) Cai seized on Jeffery's comments and spoke at length without pausing for his interpreter. He agreed on the importance of exchanging views in the area of

Internet administration. In recent years, Cai said, the Chinese government has focused on how to best adopt the experiences and practices of other countries, and has sent teams abroad to study relevant foreign laws and regulations. They have found, he said, that all countries set Internet policies based on their own national conditions. Nevertheless, he concluded, dialogue and discussion are always valuable, no matter how our two countries' individual views on this issue may differ.

¶9. (SBU) Cai continued that the Chinese Government shares its industry's interest in achieving concrete results from future Internet Summits. Cai expressed his preference to hold the next meeting in Washington, DC or New York. He assured Jeffery that all relevant Chinese Government representatives will also attend, and will hope to use the opportunity to meet with their U.S. Government counterparts, perhaps in a closed-door session during the summit. Jeffery agreed, and urged both sides to work to identify areas of common interest, including greater access to information, in the time before the next meeting. Cai committed his Internet Affairs Bureau (SCIO's so-called Bureau Five) to work with Embassy officials on this issue.

SCIO to Regulate Financial Information Providers

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¶10. (SBU) In response to Jeffery's inquiry as to whether SCIO would in fact be named the new regulator of financial information providers, Cai confirmed that his organization will take over this role from China's Xinhua News Agency. The change, he said, is based on the agreement reached between the United States, China, and the European Union at the World Trade Organization in Geneva. However, Cai said that this change is still in the approval process, and explained that it will not be final until the State Council promulgates a new regulation to shift regulatory responsibility from Xinhua. Following that, he added, the new positions will be set up within SCIO, and internal regulations will be amended as necessary to complete the change. Jeffery hailed the result of the WTO process as a good example of multilateral cooperation and offered U.S. Government assistance as SCIO develops its new regulatory responsibilities in this area. Cai said the Chinese Government places great importance on this issue.

Meeting Participants

¶11. (SBU) United States Participants: Under Secretary of State for Economic, Energy, and Agricultural Affairs Reuben Jeffery, III; Special Assistant Hugo Yon; Embassy Economic Officer Geoffrey Siebengartner; interpreter. Chinese Participants: State Council Information Office Vice Minister Cai Mingzhao; SCIO Internet Affairs Bureau Deputy Director General Liu Zhenrong; Internet Affairs Bureau Director Gao Jianyun; China Internet Media Research Center Director Zhao Jianguo; interpreter.

¶12. (U) U/S Jeffery has cleared this cable.